

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 ACDA-05 CIAE-00 INR-07

IO-10 L-03 NSAE-00 NSC-05 NRC-05 OES-03 FEAE-00

DODE-00 AS-01 ERDA-05 TRSE-00 INT-05 /063 W

----- 044849

R 171300Z NOV 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3460

C O N F I D E N T I A L BUENOS AIRES 7533

E.O. 11652: GDS

TAGS: TECH, AR

SUBJECT: PROPOSED ARGENTINE HEAVY WATER PRODUCTION PLANT

REF: (A) KRATZER TO WILCOX LETTER OF 7/30/75; (B) WILCOX TO KRATZER
LETTER OF 8/18/75; (C) BUENOS AIRES 5948; (D) MEMCON OF
BANCORA-WILCOX DISCUSSIONS 9/3/75

1. SUMMARY: ARGENTINE CNEA IS MOVING TOWARD CALL FOR BIDS
FOR CONSTRUCTION OF HEAVY WATER PRODUCTION PLANT. A U.S.
CITIZEN-RESIDENT OF ARGENTINA COULD PLAY AN IMPORTANT ROLE
IN CONTRACTING FOR PLANT. HE REPORTS THAT CNEA WOULD WELCOME
PARTICIPATION BY COMPETENT U.S. FIRMS. EMBASSY BELIEVES
THIS PROJECT MAY REPRESENT EXCELLENT OPPORTUNITY TO INFLUENCE
GOA TO ACCEPT ADEQUATE SAFEGUARDS WHICH COULD WELL EXTEND TO
ENTIRE ARGENTINE NUCLEAR POWER PROGRAM. ADDITIONALLY, PLANT
COULD BE IMPORTANT TRADE OPPORTUNITY.

ACTION REQUESTED: ANSWERS TO TWO SPECIFIC QUESTIONS PLUS
OVERALL REACTION OF DEPT. END SUMMARY.

2. AS DEPT. AWARE, AND AS HAS NOW BEEN ALSO STATED PUBLICLY
HERE, CNEA IS WORKING TOWARDS CALLING FOR BIDS FOR
CONSTRUCTION OF A HEAVY WATER PRODUCTION PLANT.

3. WHILE AT THIS POINT WE FAIL TO SEE WHERE MONEY WILL
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COME FROM, WE HAVE INDICATION THAT BID CALL COULD COME AS

SOON AS IN NEXT 6 MONTHS. IN ANY CASE, WE WOULD JUDGE IT
LIKELY THAT BID CALL WILL COME WITHIN YEAR OR SO.

4. EMBASSY WAS RECENTLY APPROACHED ON THIS SUBJECT BY U.S.
CITIZEN BUSINESSMAN, WELL KNOWN TO IT, WHO IS LONG-TIME
RESIDENT OF ARGENTINA AND PARTNER IN SUCCESSFUL ARGENTINE
COMPANY INVOLVED IN MINOR WAY (MANUFACTURE OF VALVES AND
RELATED EQUIPMENT) IN EMBALSE POWER REACTOR PROJECT.
BUSINESSMAN SAYS THAT HE HAS BEEN ASKED BY CNEA TO PLAY
MAJOR ROLE IN HEAVY WATER PLANT, INCLUDING ARRANGING FOR
LOCAL FABRICATION OF SOME EQUIPMENT AND FOR FORGING LINKS
(CONSORTIUM ARRANGEMENT PERHAPS) WITH FOREIGN COMPANY
POSSESSING NECESSARY TECHNOLOGY, PREFERABLY A U.S. RPT U.S.
FIRM. BUSINESSMAN CLAIMS TO HAVE FULL SUPPORT AND BACKING
OF CNEA AND TO BE ABLE TO MAKE SUGGESTIONS RE SPECIFICATIONS
WITH GOOD LIKELIHOOD OF ACCEPTANCE. (COMMENT: BUSINESS-
MAN PROBABLY EXAGGERATES HIS INFLUENCE SOMEWHAT, BUT
EMBASSY DOES KNOW THAT HE AND HIS COMPANY ARE WELL REGARDED
BY AT LEAST ONE KEY STAFF MEMBER OF CNEA.) CNEA HAS
REPORTEDLY STRESSED TO HIM ITS STRONG DESIRE IN PARTICIP-
TION IN PROJECT BY A COMPETENT U.S. FIRM, EXPERIENCED IN
HEAVY WATER PLANT DESIGN AND CONSTRUCTION.

5. EMBASSY WELL AWARE OF NEED FOR AMCIT TO OBTAIN USG
APPROVAL TO ENGAGE IN ANY SUCH ENDEAVOR AS PER PART 110
OF USAEC REGULATIONS. WE HAVE PROVIDED COPY OF THESE REGS
AS WELL AS COPIES OF U.S./ARGENTINA NUCLEAR ENERGY
BILATERAL AND TRILATERAL SAFEGUARDS AGREEMENTS TO THE
BUSINESSMAN. (QUERY: PLEASE ADVISE WHETHER IT IS NRC OR
ERDA WHICH IS NOW ENFORCING THE OLD AEC PART 110.)

6. WHILE USG ATTITUDE COULD OF COURSE JUSTIFIABLY BE
QUITE NEGATIVE TO THIS PROJECT, EMBASSY WISHES TO POINT OUT
THAT THIS MIGHT, IN FACT, PRESENT GOLDEN OPPORTUNITY FOR
US TO INFLUENCE ARGENTINA TO COMMIT ITSELF TO ADEQUATE SAFE-
GUARDS REGIME WHICH COULD EASILY APPLY THROUGH THE HEAVY
WATER PRODUCT OF THIS PLANT TO ALL CANDU-TYPE REACTORS
ARGENTINA WILL BUILD AND EVEN CONCEIVABLY TO LONG-TERM USE
OF ATUCHA I. WHILE SOME DIFFICULT NEGOTIATION MIGHT BE
NECESSARY, WE HAVE IMPRESSION THAT ARGENTINA BY NOW IS
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RESIGNED TO SOMETHING LIKE THIS. (NPT ADHERENCE OF COURSE
IS ANOTHER OPTION.)

7. IF U.S. IS NOT FORTHCOMING, NO DOUBT ARGENTINA WOULD
TURN ELSEWHERE. WHILE FRG COULD PROBABLY BE COUNTED ON TO
HOLD LINE ON SAFEGUARDS, WE ARE LESS CERTAIN OF OTHER
COUNTRIES, PARTICULARLY FRANCE.

8. IN OUR OPINION, WAY TO TURN THIS TO OUR ADVANTAGE, DISARMAMENT-WISE, IS TO BE OPEN AND FORTHCOMING WITH CNEA ON HEAVY WATER PROJECT, ALWAYS WITH CLEAR UNDERSTANDING FROM WORD ONE THAT ADQUATE IAEA SAFEGUARDS ON BOTH PLANT AND ITS PRODUCT WILL BE BASIC TO OUR COOPERATION.

9. COMMERCIALLY SPEAKING, IT APPEARS QUITE POSSIBLE TO LAND AN ORDER FOR MAJOR PORTION OF THIS PERHAPS \$200 MILLION PLANT FOR A U.S. FIRM. FURTHER, IN PRESENT WORLD FRAMEWORK, ESPECIALLY FOR ENRICHED URANIUM SUPPLY, WE SEE NO GOOD REASON NOT TO TAKE THIS APPROACH. IN ANY EVENT, LIKELIHOOD OF ARGENTINA SHIFTING GEARS TO LWRS IN NEXT FEW YEARS SEEMS LOW INDEED, AND LIKELY OPTION TO OUR NON-COOPERATION WOULD BE TURNING ELSEWHERE FOR HEAVY WATER PLANT.

10. IN ORDER TO AUTHORIZE AMCIT PARTICIPATION PER PART 110, WE WONDER IF U.S./ARGENTINA NUCLEAR ENERGY BILATERAL MIGHT SERVE AS BASIC FRAMEWORK, E.G. ARTICLE VIII.A. WOULD APPRECIATE DEPT. REACTION ON THIS POINT.

11. ACTION REQUESTED: EMBASSY WOULD APPRECIATE SPECIFIC ANSWERS TO POINTS RAISED IN (5) AND (10) ABOVE AND DEPT. REACTION OVERALL TO IDEA OF U.S. PARTICIPATION IN THIS PROJECT.
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